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2009 AUG 24 A 10:27

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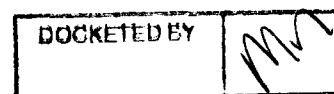
August 24, 2009

Kristin K. Mayes, Chairman  
Gary Pierce, Commissioner  
Sandra D. Kennedy, Commissioner  
Paul Newman, Commissioner  
Bob Stump, Commissioner  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, Arizona 85007

Arizona Corporation Commission

DOCKETED

AUG 24 2009



**Re: APS's Request to increase PBI for Non-Residential Distributed Generation Projects and to Classify School Projects as Residential Distributed Generation Projects; Docket No. E-01345A-09-0263**

Dear Chairman Mayes and Commissioners:<sup>1</sup>

This docket is filled with good news and great news!

The **good** news is that demand for non-residential distributed generation projects has **more than tripled** since the Commission approved projected incentive funding levels less than a year ago. (Decision No. 70654) Arizona is well on its way to becoming the solar capital of the country.

The **GREAT** news is that there is a **\$38 million surplus** of unexpended and uncommitted funds for residential distributed generation and that public schools want to use these funds to reduce their electric bills and shift needed money into the classroom. In light of the state's \$3 billion deficit, this is probably the only surplus pot of money in the state. The idea that it can be used to benefit education while helping the environment (*at no additional cost to the ratepayer*) is rare and much welcomed news for Arizona.

<sup>1</sup> This letter is in response to Commissioner Pierce's August 14, 2009 letter requesting RUCO's input on APS's application to: 1) increase Performance Based Incentives (PBI's) for non-residential distributed generation from \$77 million to \$220 million; and 2) classify public schools as residential in order to take advantage of over \$38 million in surplus funds held in reserve for residential DG projects.

RUCO enthusiastically supports classifying schools as residential under the REST Rules.

RUCO has reviewed comments filed by SunRun, an installer of residential photovoltaic systems. Even under the most optimistic (and possibly unrealistic) projections offered by the Solar Alliance that applications for residential photovoltaic will increase 50% in the last half of 2009, this still leaves a \$20 million surplus for residential installations. SunRun has no actual or foreseeable economic injury by classifying schools as residential and committing the full \$20 million now toward these projects.

RUCO finds it appropriate to classify public schools as residential for the purpose of REST Rules funding and compliance. Schools are assets of the residential community. Schools are an integral part of society and are responsible for the education of our children. These same children will see the solar panels on the schools, ask questions about them and develop an understanding of the importance of renewable energy from a very young age. Furthermore, since the Commission established its own REST Rules, it can define "residential" for purposes of these Rules to include schools.

The Staff Report in the Solar City docket finds that the proposed plans for the Scottsdale Unified School District (SUSD) to construct PV systems at Desert Mountain and Coronado High will allow the schools to realize savings in the first year (Docket No. E-01345A-09-0346, Staff Report at pp. 5-6). Letters filed from several other schools indicate their plans to follow SUSD's commitment to clean, green energy. Every dollar a school does not have to spend on its utility bills can be put to better use in the classroom.

RUCO applauds the Commission for its expedited review of this matter. APS claims, and letters from schools filed in this docket and the Solar City docket confirm, that several schools will be filing reservation requests in the very near future. Due to the tremendous amount of non-residential DG projects already approved, it is unlikely school requests would be funded in 2009 without classifying schools as residential.

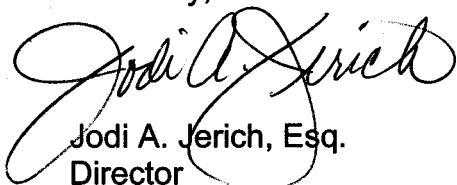
RUCO disagrees with the Solar Alliance's suggestion that the Commission wait until the end of the year to decide whether to commit funds for school PV projects. There are good reasons to get money flowing to schools immediately. Providing funds now will enable schools to begin construction sooner. The sooner PV systems are installed, the sooner schools will be able to divert funds that used to pay for carbon-based electricity to the classroom.

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RUCO believes it is in the interest of the residential ratepayer to support funding incentives for installing renewable energy projects at schools. Economically-feasible PV projects allow schools to dedicate more funds to the classroom. Additionally, the consumption curve of a school makes PV particularly attractive. A school has the ability to significantly reduce its consumption after regular school hours. Yet, since its PV system continuously produces green electricity, the school will be putting renewable energy on to the grid during peak demand time. During the summer months when there is high demand, schools can benefit by selling their unused solar-powered electricity back to the grid. Not only do residential ratepayers have an interest in supporting PV systems on homes in order to take these homes off the grid, they also have an interest in installing systems that will put green energy on to the grid.<sup>2</sup>

While RUCO's comments primarily explain the reasons for our support to classify schools as residential, we note that APS also requests to expand the non-residential PBI amount from \$77 million to \$220 million. While APS states that this increase will not impact customers' bills in 2009, we would like to know what impact this increase would have in 2010 and 2011.

Sincerely,



Jodi A. Jerich, Esq.  
Director

cc: Docket Control  
All Parties of Record

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<sup>2</sup> RUCO understands that PV on homes will also put green energy on the grid when home consumption does not exceed PV generation. However, most home consumption increases when people get home from work which is usually during peak load times.